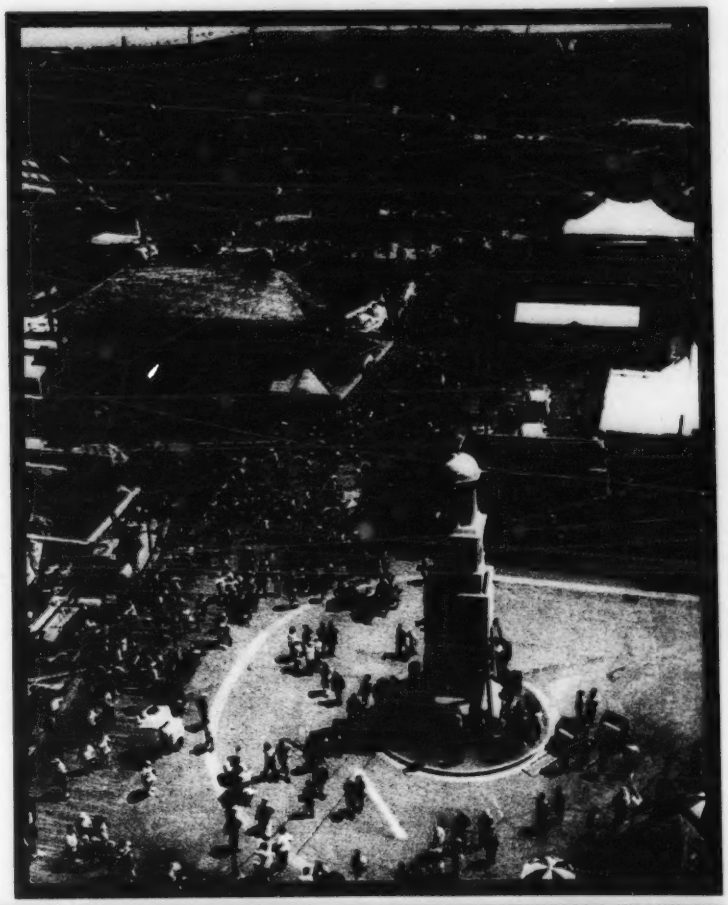
ANNUAL REPORT

25 YEARS OF EXCELLENCE 1976 - 2001



Waterfront Development Corporation Limited

- This year, the Corporation reported net earnings of $871,000 compared to $1,107,699 in the previous fiscal year. There was no grant revenue from other levels of Government. In recent years, the Province provided a grant to cover loan interest (prior year $302,000). In fiscal year 2000/01, this was completely removed.

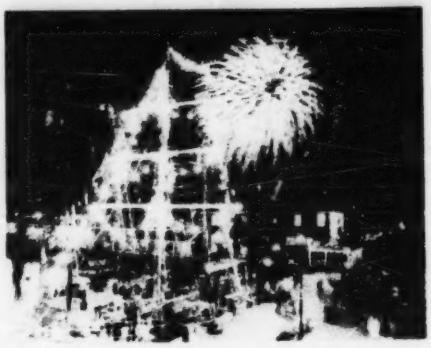
- Rent revenues were reduced as a result of two budgeted adjustments. The first was the parking revenue on the South Battery property, which has now largely been redeveloped for the Bishop's Landing development; and, the interim rent from the Casino at the Sheraton Hotel.

- Parking revenue (excluding South Battery) resulted in an increase over budget of $205,000.

- Corporate expenses were lower than the previous fiscal year.

- Land sales at South Battery for the development of Bishop's Landing and in Dartmouth for the Cheltonham townhouse development resulted in proceeds of $2,221,000.

- The Corporation was intensely involved in the **Tall Ships 2000** project. This was the largest tourism event in the history of Atlantic Canada. All of our available berthing properties and the majority of our public parking areas were utilized during this event. Over 1.14 million visits occurred during this five day period. A detailed evaluation showed $54 million in spending generated an additional $4 million to the province and $4.5 million to the federal government in sales taxes.

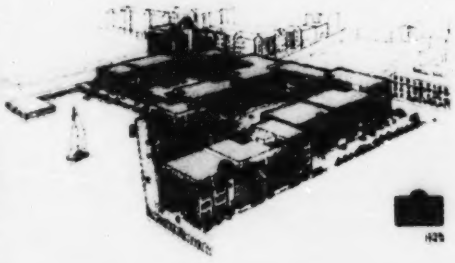


- The Open Space and Development Plan contracted in partnership with Halifax Regional Municipality was finalized in February with a public information meeting. Final negotiations with HRM and ratification by Regional Council is expected in fiscal year 2001-02.

- Wayfinding signage was installed in partnership with Casino Nova Scotia. This signage has been widely acclaimed and has been well received on the Halifax waterfront.

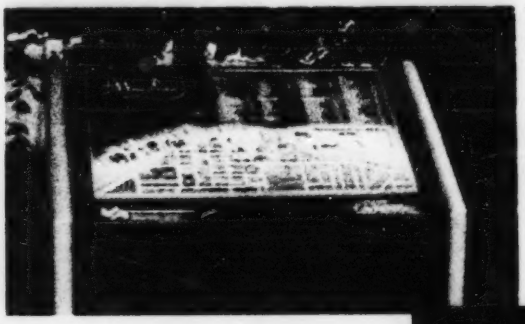
1. PROPERTY ACQUISITION, MANAGEMENT AND DEVELOPMENT:

- **Bishop's Landing** - The development is on schedule for a July 2001 opening of the south building and the completion of two public areas by the Corporation. The large open plaza at the foot of Bishop Street between the two buildings will be called *South Battery Plaza*. This space was developed at a cost of over $500,000 in addition to the land value. The plaza will be highlighted by quality improvements including landscaping, paving stones, a fountain, and stone seating framed by retail and



commercial establishments and offer convenient public parking. *South Battery Park*, adjacent to the boardwalk, is a public park of approximately 15,000 square feet, and is designed as a viewing area for the harbour and George's Island. Public washrooms will be located in this area to complement the public washrooms the Corporation recently completed in partnership with HRM at the Halifax Ferry Terminal.

- **Wayfinding Signage** - A professional signage plan was developed for the entire waterfront district. The first phase was implemented during July 2000 in time for the Tall Ships visit which featured a wayfinding map of the Halifax waterfront. This map, of *Halifax Harbourwalk*, is produced as an appendix to this Annual Report along with a list of the current Board members of WDCL.



- **Sheraton Hotel** - The hotel completed a major upgrading of the hotel property of over $15 million and a rebuilding of the wharf to the north side of this property.

- **Bedford Waterfront Development Corporation Limited (BWDCL)** - In May 2000, the Government appointed an interim Board of Directors for BWDCL and presented a plan to WDCL Board to amalgamate the two organizations by March 31, 2001. BWDCL has two major lawsuits which are before the courts; one related to the Convoy Quay construction and the second lawsuit the result of a land dispute with a developer. Both files are very complex and are costing the Province of Nova Scotia relatively high expenses for legal costs. Plans have continued for land assembly for Phase II utilizing the pyritic slate that is being disposed of from major construction sources such as the gas pipeline construction.

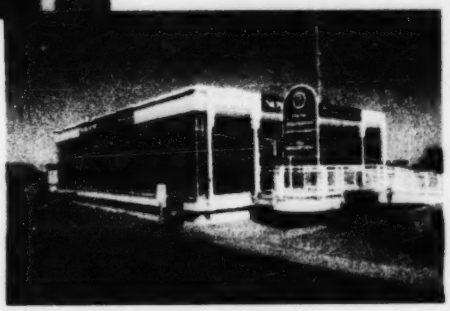
- **Dartmouth Cove** - A local boat building company "InterTech Marine" is operational at one of our properties and the Corporation is exploring possible marine and institutional use of these properties.

- **Retail** - New revenue generating vendors were installed on a temporary basis on the Halifax Waterfront including ticket sales for tour bus operations and Harbour Hopper, a highly successful amphibious attraction.

- **Tall Ship** - Halifax Harbour is to become the home base for an exciting new tall ship venture. With three large tall ships in their fleet, Coastal Expeditions Inc., will offer local tours, excursions and cruises. The vessels will be docked at Corporation wharves for retrofit and operating from Queen's Landing in Halifax in 2002.

- **Public Safety and Maintenance** - The Corporation continues to provide evening and early morning hour security on the Halifax Waterfront for the convenience and safety of the public and local businesses.

- **Tourism Centre** - The Corporation, the Canadian Naval Memorial Trust, Nova Scotia Maritime Museum of the Atlantic and the Department of Tourism all cooperated on a Visitor Information Centre to be located at the previous Sackville Interpretative Centre.



- **Dartmouth Housing** - The second phase of a 24-unit townhouse development, Cheltonham, is proceeding.

- **Bedford** - A proposal call for a marina in Mill Cove was advertised and the fill operation continues providing new land for public use and new development.

2. PROMOTIONS

- **Tall Ships 2000** - The largest event ever hosted in Atlantic Canada, this event was also one of the most successful. Over 1.14 million visits to the Halifax waterfront and sales tax combined of $8.5 million to the

provincial and federal governments indicates the viability of such events for the provincial capital.

- **Tall Ships Arbour** - In commemoration of Tall Ships 2000, the Corporation commissioned the design and construction of this arbour located on Tall Ships Quay.

- **Memorial Cup** - In May, 2000 the Canadian Junior Hockey Championship was held in Halifax. A special entertainment venue was located at Queen's Landing on the Halifax waterfront providing entertainment, food & beverage service and live broadcasts of the championship games.

- **Halifax International Buskers Festival** - Another successful year for the Buskers Festival with activities located on the Harbourwalk from Casino Nova Scotia to Summit Amphitheatre.

- **Halifax Natal Day Celebrations** - Celebration of Halifax's birthday held at Queen's Landing.

- **Official Opening of Tall Ships Quay** - In May, the Corporation officially opened the boardwalk extension at the new wharf facility at Tall Ships Quay.

- **Cruise Ship Visitation** - Four port calls by small U.S. cruise ship companies utilizing Tall Ships Quay, Sackville Wharf and Queen's Wharf North.

- **Tree of Hope & Christmas Tree Decorating Program** - During the Christmas season, in cooperation with Halifax Port Authority, the Corporation hosted "Our Tree of Hope" in support of the Metro Food Bank at Queen's Landing. Another successful tree lighting program organized in cooperation with Downtown Halifax Business Commission. Over 600 primary students visited the waterfront and decorated Christmas trees.

- **Winterfest** - Interest in this mid-winter event has remained steady. Efforts are underway to maintain and grow this event.

- **25th Anniversary** - 2001 will see the Corporation celebrate their 25th anniversary. A special newspaper supplement is planned along with a variety of waterfront activities.

3. PLANNING

- **Halifax Waterfront Plan**- A final public meeting was held on the Open Space and Development Plan for Halifax. Extensive public consultation has resulted in a plan supported by the community at large. Translation of the Plan into municipal policy and regulation will proceed into 2001 and 2002.

- **Partnership with HRM** - Agreement in principle has been received from HRM administration to develop a partnership to implement the public amenity portion of the Halifax Waterfront Plan.

- **Dartmouth** - Strong interest has been expressed for the Corporation to take a more active role in Dartmouth. A public meeting was organized and allocation of staff resources is being planned. Priorities include public access to the waterfront and improvements to Dartmouth Cove.

- **Bedford** - The Corporation is continuing to develop the Bedford Waterfront. Emphasis is being placed on marina development and planning for Phase II. Public information sessions and newsletters are being used to seek comments, opinions and maintain communication with the community.

- **George's Island National Historic Site** - The Corporation is partnering with Parks Canada, HRM, ACOA and the Departments of Economic Development and Tourism on a Feasibility Study for George's Island. This work will assess all the needs related to the opening of the Island to the public which is planned for 2004.

- **Monuments** - A new monument dedicated to the role of the Portuguese in exploring North America was erected on the Sheraton leased land. The Corporation adopted a new policy to guide future requests for monument placement.

This 25th anniversary year is an opportunity to reflect on what has been achieved during these two and a half decades. Nova Scotians are proud of their capital city and increasingly proud of their waterfront in Bedford, Dartmouth and Halifax.

While much has been accomplished, there is substantial development that will take place in the next decade, and beyond.

Our financial record is largely portrayed in this annual statement. Accounting practices do not permit the reporting of the real value of assets that have been acquired by grants. This includes buildings that are now leased to the bioScience Centre, the Visitor Information Centre and lands that we have created in Bedford through a major land infill plan.

We have enjoyed a strong level of support from the province through the Minister and Deputy Minister of Economic Development. We are also proud of our small, dedicated staff and a committed, proactive volunteer Board of Directors. This formula, coupled with an effective partnership with the municipal government backed by financial and strategic support from the federal government, will enable our crown corporation to fulfill our mission as champions of Greater Halifax Harbour.

Eric Thomson, Chairman

Fred Were, President

The Mission

To serve as Champion of a dynamic vision and to plan, coordinate, promote and develop properties, events and activities on designated waterfronts within Halifax Harbour.

Mandate

The Mandate of the Waterfront Development Corporation includes:

- Property acquisition, management and development within designated areas in Bedford, Dartmouth and Halifax.
- Marketing and promotion designed to attract public use of the waterfronts.
- Coordination and planning of the Waterfronts of Bedford, Dartmouth and Halifax including the stewardship of harbour front assets owned by the province.

June, 2001

Waterfront Development Corporation Limited

Annual Report 2000 - 2001

Grant Thornton LLP
Chartered Accountants
Management Consultants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Waterfront Development Corporation Limited Financial Statements

March 31, 2001

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Management Statement on Financial Reporting

To the Shareholder of
Waterfront Development Corporation Limited

Management has a responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements.

Ultimate responsibility for the financial statements rests with the Board of Directors. An Audit Committee of non-management Directors is appointed by the Board to review the financial statements in detail with management and to report to the Directors prior to their approval of the financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The shareholder's auditors review the financial statements in detail and meet separately with both the Audit Committee and management to review their findings. Grant Thornton LLP, Chartered Accountants report directly to the shareholder.

Fred Were
President and Chief Executive Officer

Eric Thomson
Chair
Board of Directors

P.O. Box 426
Suite 1100 Cogswell Tower
2001 Barrington Street
Halifax, Nova Scotia
B3J 2P8
Tel: (902) 421-1734
Fax: (902) 420-1068

Grant Thornton LLP
Chartered Accountants
Management Consultants
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Auditors' Report

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 2001 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001, and the results of its operations and cash flows for the year ended in accordance with generally accepted accounting principles.

Halifax, Nova Scotia
May 11, 2001

Grant Thornton LLP
Chartered Accountants

P.O. Box 426
Suite 1100 Cogswell Tower
2001 Barrington Street
Halifax, Nova Scotia
B3J 2P8
Tel: (902) 421-1734
Fax: (902) 420-1068

Waterfront Development Corporation Limited
Statements of Earnings and Retained Earnings

Year Ended March 31	2001	2000
Revenue		
Rents	$ 2,790,989	$ 3,011,407
Recoveries	1,778	3,615
Interest income	11,327	9,932
Other income	25,941	21,125
Gain on sale of properties	307,484	-
Grant revenue		
Non-owned infrastructure	-	196,762
	3,137,519	3,242,841
Property expenses		
Property taxes	47,635	55,321
Operating	538,984	423,797
Depreciation and amortization	248,067	221,280
	834,686	700,398
Income before other items	2,302,833	2,542,443
Corporate expenses		
Directors fees and expenses	21,798	16,701
Doubtful accounts	3,519	1,442
Office operations	51,945	50,219
Professional fees		
Audit	12,050	9,500
Consultants	14,502	54,558
Planning study	72,321	109,337
Legal	15,066	12,941
Salaries and benefits	341,110	329,476
Waterfront promotions and public relations	8,229	14,677
	540,540	598,851
Loan interest		
Expense	805,126	743,259
Contributions from the Province of Nova Scotia	-	(302,400)
	805,126	440,859
Depreciation on facilities for public access	79,511	79,672
Contribution to non-owned infrastructure	6,136	315,362
	1,431,313	1,434,744
Net earnings	$ 871,520	$ 1,107,699
Retained earnings (deficit), beginning of year	$ 826,047	$ (2,486,652)
Net earnings	871,520	1,107,699
Transfer (to) from General Development Fund (Note 7)	(450,000)	2,205,000
Transfer to Infrastructure Renewal Fund (Note 8)	(400,000)	-
Retained earnings, end of year	$ 847,567	$ 826,047

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited
Balance Sheet

March 31	2001	2000
Assets		
Receivables - trade	$ 180,122	$ 252,182
Notes receivable (Note 3)	112,176	148,821
Prepaids	24,054	20,987
Real estate and development projects (Note 4)	26,744,052	28,484,825
Deferred pension cost	11,791	12,697
	$ 27,072,195	$ 28,919,512
Liabilities		
Bank indebtedness (Note 5 and 9)	$ 149,024	$ 343,168
Payables and accruals	462,775	502,468
Deferred dock recovery	15,000	-
Loan payable (Note 5)	10,100,000	12,600,000
	10,726,799	13,445,636
Shareholder's Equity		
Capital stock (Note 6)	3	3
General Development Fund (Note 7)	1,350,000	900,000
Infrastructure Renewal Fund (Note 8)	400,000	-
Contributed surplus	13,747,826	13,747,826
Retained earnings	847,567	826,047
	16,345,396	15,473,876
	$ 27,072,195	$ 28,919,512

Commitments (Note 10)

On behalf of the Board

Director Director

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited
Statement of Cash Flows

Year Ended March 31	2001	2000
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 871,520	$ 1,107,699
Gain on sale of property	(307,484)	-
Depreciation and amortization	327,578	300,952
	891,614	1,408,651
Change in non-cash operating working capital (Note 9)	45,206	(24,543)
	936,820	1,384,108
Financing		
Decrease in notes receivable, net	36,645	27,910
Decrease in capital grants receivable	-	706,048
Decrease in loan payable	(2,500,000)	(1,000,000)
	(2,463,355)	(266,042)
Investing		
Purchase of		
Equipment	(5,050)	(21,245)
Real estate and construction projects	(498,842)	(348,872)
Proceeds from sale of property	2,224,571	-
	1,720,679	(370,117)
Net increase in cash and cash equivalents	194,144	747,949
Bank indebtedness, net of cash and cash equivalents Beginning of year	(343,168)	(1,091,117)
End of year	$ (149,024)	$ (343,168)

See accompanying notes to the financial statements.

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax and Dartmouth waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. Summary of significant accounting policies

Capitalization
All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Government assistance
Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project. Government assistance related to the cost recovery of overhead costs are accounted for as grant revenue.

Income taxes
As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of The Income Tax Act.

Depreciation

Building and equipment
Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease
The cost of the lease referred to in Note 4 is amortized over its term.

Development costs
Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

Use of estimates
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Bank indebtedness and cash equivalents
Bank indebtedness is comprised of cash on hand, cash held in banks and an operating line of credit.

3. Notes receivable

	2001	2000
Note receivable bearing interest at 7%, repayable in blended monthly payments of $1,185, maturing March 2002, secured by an assignment of land and building.	$ 13,877	$ 26,649
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of $1,712, maturing June 2006. $75,000 of the principal amount has been guaranteed by a third party.	82,389	104,756
Note receivable bearing interest at 9%, repayable in blended monthly payments of $253, maturing April 2008.	15,910	17,416
	$ 112,176	$ 148,821

4. Real estate and development projects

	Cost	Accumulated Depreciation	2001 Net Book Value	2000 Net Book Value
Facilities for public access	$ 6,415,085	$ 1,199,187	$ 5,215,898	$ 5,304,262
Real estate and development projects	25,145,373	3,617,219	21,528,154	23,180,563
	$ 31,560,458	$ 4,816,406	$ 26,744,052	$ 28,484,825

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

5. Credit facility

The Corporation has available a combined credit facility of $14,500,000 bearing interest at prime, less one percent. The line is secured by a guarantee of the Province of Nova Scotia. Of this amount, $1,000,000 has been allocated to operations with the remaining $13,500,000 for capital projects. To date $188,290 and $10,100,000 have been drawn on the operating and capital lines, respectively. In addition, the Corporation has the ability to borrow additional funds on an unsecured basis with interest at prime less ½%.

6. Capital stock

	2001	2000
Authorized:		
5,000 shares without nominal or par value		
Issued:		
3 shares	$ 3	$ 3

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

7. General Development Fund

	2001	2000
Beginning balance	$ 900,000	$ 3,105,000
Transfer from (to) operations	450,000	(2,205,000)
Ending balance	$ 1,350,000	$ 900,000

The Board of Directors has established this fund for future development and promotional projects. Expenditures from this fund will be at their discretion.

8. Infrastructure Renewal Fund

The infrastructure renewal fund shall be used for the renewal or replacement of public use facilities such as wharves, boardwalks, and parks, when such work is required as a result of aging. In general, the fund will not be used for ordinary repairs necessitated by other causes, or for repair/replacement of minor portions of such assets. Exceptions may be made when deemed appropriate by management in consultation with the Board.

9. Supplemental cash flow information

	2001	2000
Change in non cash operating working capital		
Receivables	$ 72,060	$ (130,102)
Operating grants receivable	-	162,720
Deferred dock recovery	15,000	-
Prepaids	(3,067)	(20,987)
Payables and accruals	(39,693)	(37,082)
Deferred pension cost	906	908
	$ 45,206	$ (24,543)
Bank indebtedness and cash equivalents are comprised of the following:		
Cash in bank account and on hand	$ 39,266	$ 16,039
Line of credit	(188,290)	(359,207)
	$ (149,024)	$ (343,168)
Interest paid	$ 805,126	$ 743,259

10. Commitments

(i) The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

2002	$ 1,016
2003	1,016
2004	1,016
2005	1,016
2006	1,016

(ii) As part of the Bishop's Landing development project, the Corporation is committed to construct a public park and parking plaza anticipated to be in the range of $500,000.

11. Financial instruments

The fair values of cash and receivables approximate their carrying amounts because of their short term to maturity. The fair value of loans receivable approximate their carrying amounts because of variable interest rates and an insignificant fluctuation in the interest rates for those with fixed rates.

The fair values of payables and accruals and note payable approximate their carrying amounts because of their short term to maturity and variable interest rate.

12. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required the payment costs for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at December 31, 1999 and includes pension assets of $2,881,300,000, and pension liabilities of $2,723,800,000, resulting in a pension surplus of $157,500,000. This surplus has resulted in a pension holiday for its participants. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only three employees.

13. Subsequent event

Effective April 1, 2001, Waterfront Development Corporation Limited amalgamated with the Bedford Waterfront Development Corporation Limited.

Organization Chart

Board of Directors

Chair, Eric Thomson

[redacted]